

GAO Decision B-413386.2: Navy Seaport-e Task Order Protest dated 28 Oct 2016

Purpose: Provide the rationale for the GAO decision to sustain the protest of CALNET, Inc. (CI) which challenged the issuance of a SeaPort task order to Universal Consulting Services, Inc. (UCS) on the basis that the cost realism analysis was not properly performed and the Navy did not demonstrate critical analysis in evaluation of proposals.

GAO Protest Disposition Summary

• **Facts:**

- The Seaport-e request for proposal (RFP) was for a cost plus-fixed-fee task order to perform a range of technical support services.
- The agency made a best-value determination based on evaluated cost and two non-cost evaluation considerations - organizational experience and past performance.

• **Basis for Protest (Allegations):**

1. CALNET alleged that the cost realism evaluation was irrational and meaningless.
 - UCS used proposed direct labor rates which were unrealistically low to attract and retain the personnel necessary to perform the requirement.
 - All proposals were compared only to fixed-price contracts that were never evaluated for cost realism and/or were performed in locations with lower cost labor markets than San Diego, where the contract work may be performed. The solicitation, however, was for a cost-reimbursement task order.
2. CALNET alleged that the Navy made an unreasonable cost/non-cost tradeoff.
 - The Navy unreasonably concluded that CI and UCS were equivalent based *solely* on adjectival ratings. The Navy did not perform a detailed critical analysis of the comparative merits of the proposals.

• **GAO Decision:**

- GAO agreed that the probable lack of evaluation gave the Navy no basis to conclude whether the offerors' proposed direct rates of compensation were realistic.
- GAO agreed that even if the fixed-price rates had come from contracts receiving a price realism evaluation, there still is no guarantee the rates were realistic.
- GAO noted that the Navy did not analyze whether the drawn compensation rates were appropriate for San Diego.
- GAO identified that adjectival ratings are merely guides to intelligent decision making and that evaluators are required to consider the underlying bases for the assigned ratings. In the current evaluation, this was not done. An agency may not base its conclusion entirely upon adjectival ratings without explanation.

Key Takeaways for the SPAWAR Claimancy:

- ❑ Evaluators should ensure that critical thought be applied in performing cost evaluation and comparative analysis, and that the reasoning for the source selection be thoroughly documented.
 - ✓ Ensure that rates from proposals on cost-reimbursement contracts are subject to full cost realism analysis. This must include analysis of individual cost elements rather than just a comparison of final rates to prices from other contracts.
 - ✓ Ensure analysis of whether rates provided by offerors are realistic for the location in which the work is to be performed.
 - ✓ Ensure that proper proposal analysis is done in the assignment of adjectival ratings, and document the reason why certain ratings are being assigned.